

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 212 - HB 675**

February 12, 2023

**SUMMARY OF BILL:** Increases the period, from 24 months to 36 months, for which vehicle registrations for businesses registering at least 15,000 vehicles annually and engaging in the rental of motor vehicles, trucks, and trailers for periods of 31 days or less may be issued by the Department of Revenue (DOR). Requires DOR to set registration fees in an amount to offset revenue that would otherwise be generated by 12-month registration fees in effect prior to July 1, 2023.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$145,400/FY23-24, FY24-25, FY26-27, and FY27-28/Highway Fund**

**\$3,000/FY23-24, FY24-25, FY26-27, and FY27-28/General Fund**

**Decrease State Revenue – \$290,800/FY25-26 and FY28-29/Highway Fund**

**\$5,900/FY25-26 and FY28-29/General Fund**

**Assumptions:**

- The proposed legislation would require the Vehicle Services Division of DOR to work with the Tennessee Bureau of Investigation to ensure that backend modifications do not affect systems used by law enforcement officers during traffic stops. Additionally, the proposed legislation would require changes to the Motor Vehicle Registration Program. However, any expenditures required to update systems and educate county clerks on new procedures resulting from the proposed legislation are estimated to be not significant.
- Pursuant to Tenn. Code Ann. § 55-4-104(c)(2), DOR is required to set registration fees for such registrations in an amount that would generate revenue that would otherwise be generated by 12-month registration fees.
- According to information provided by DOR, the three-year average of registration fee revenue collected from entities registering 1,000 or more vehicles in FY19-20, FY20-21, and FY21-22 was approximately \$1,187,000. For the purposes of this analysis, it is assumed 50 percent, or \$593,500 ( $\$1,187,000 \times 50\%$ ) of sales from these entities are from entities registering at least 15,000 vehicles annually.
- For the purposes of this analysis, it is assumed that 50 percent of sales, or \$296,500 ( $\$593,000 \times 50\%$ ), from entities registering at least 15,000 vehicles annually, are on a 24-month registration cycle.

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- It is assumed that all \$296,500 in registrations each year (FY23-24 and FY24-25) will switch to a 36-month cycle and pay 50 percent more in registration fees.
- The increase in state revenue in FY23-24 and FY24-25 will be \$148,375 [(\$296,500 x 150% new collections) – \$296,500 current collections].
- FY23-24 registrations would have been due for renewal in FY25-26. No 36-month registrations will be up for renewal in that year; therefore, the decrease in state revenue is estimated to be \$296,750 in FY25-26.
- FY24-25 renewals would have been due again for renewal in FY26-27 with total registration fees of \$296,750, these registrations will no longer be paid in FY26-27 leading to a decrease in state revenue; however, 36-month registrations from FY23-24 will be due in FY26-27 for an increase in state revenue of \$445,125 (\$296,500 x 150% new collections).
- The net increase in state revenue in FY26-27 will be \$148,375 (\$445,125 - \$296,500).
- FY23-24 renewals would have been due a second time for renewal in FY27-28 with total registration fees of \$296,750, these registrations will no longer be paid in FY27-28 leading to a decrease in state revenue; however, 36-month registrations from FY24-25 will be due in FY27-28 for an increase in state revenue of \$445,125 (\$296,500 x 150% new collections).
- The net increase in state revenue in FY27-28 will be \$148,375 (\$445,125 - \$296,500).
- In FY28-29, there will be a decrease in state revenue of \$296,750.
- Any net impact resulting from new registrations during this time period will be not significant over any three-year time period; any net impact beyond FY28-29 will be not significant over any three-year period.
- Pursuant to Tenn. Code Ann. § 55-6-107(a)(1), such revenue shall be apportioned by a distribution of 98 percent to the Highway Fund and 2 percent to the General Fund.
- The breakdown of fiscal impacts is as follows:

	<b>FY23-24</b>	<b>FY24-25</b>	<b>FY25-26</b>	<b>FY26-27</b>	<b>FY27-28</b>	<b>FY28-29</b>
<b>Total Impact</b>	\$148,375	\$148,375	(\$296,750)	\$148,375	\$148,375	(\$296,750)
<b>General Fund</b>	\$2,968	\$2,968	(\$5,935)	\$2,968	\$2,968	(\$5,935)
<b>Highway Fund</b>	\$145,408	\$145,408	(\$290,815)	\$145,408	\$145,408	(\$290,815)

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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